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Foreign Agriculture

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DEPARTMENT OF AGRICULTURE



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SEPTEMBER
1953

**50 Million
U.S. Acres
Produce
for Export**

Foreign Trade Issue

Foreign Agriculture

Vol. XVII

SEPTEMBER 1953

No. 9

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FRONT COVER

Foreign Trade Issue

Fifty million U. S. acres produce for export. But, when the harvest from these acres fails to find its full market abroad, as it failed last year, American agriculture faces a serious problem. To an exploration of the problem, this issue of *Foreign Agriculture* is devoted.

BACK COVER

U. S. Agricultural Exports and Imports, Calendar Year 1952

About 40 percent of the \$3.4 billion worth of United States farm products sold abroad in the calendar year of 1952 (for the *fiscal* year 1952-53 the figure was only \$2.8 billion) went to Western Europe and the United Kingdom. But our purchases of farm products there were relatively small. Most of them were made in the Western Hemisphere and in Asia, where we, in turn, sold 25 percent and 30 percent, respectively, of our agricultural exports.

GLOSSARY

The *sterling area* was originally a loose association of countries, including mainly the British Commonwealth other than Canada, which maintained their foreign exchange reserves largely in the form of pounds sterling in London. Since the war, it has evolved into a more formal arrangement under which gold and dollar resources are pooled and similar administrative regulations are applied to trade and payments with countries outside the area.

The *soft currency area* includes the sterling area and other countries whose currencies are not freely convertible into gold or dollars.

The *Organization for European Economic Cooperation* (OEEC) is the organization of the Western European participants in the European Recovery Program, established primarily to further the objectives of that program.

The *European Payments Union* (EPU) was established by the OEEC to make possible the multilateral clearing of trade balances among the member countries; through the United Kingdom the EPU is linked with the sterling area.

The *General Agreement on Tariffs and Trade* (GATT) is a series of tariff reduction agreements between pairs of countries. They all have the same general provisions regarding quantitative restrictions, subsidies, escapes, and the like, and they are combined in a single "general" agreement. For the most part, each of the countries involved enjoys the benefits of the tariff rates in all of the component agreements.

FOREIGN AGRICULTURE

ALICE FRAY NELSON, EDITOR

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Trade and Progress

by R. E. SHORT



We Americans can count many blessings. We have great gifts of natural resources. We have a heritage of vigor and enlightenment. Our national development has amazed not only the world but even ourselves. But our progress these many years would have been in chains but for the foresight of our founding fathers in providing political and economic freedoms that encourage domestic trade.

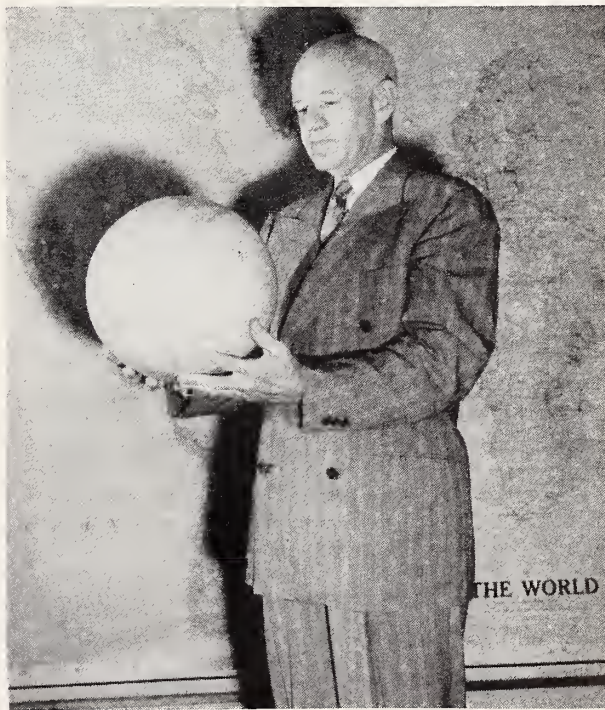
For more than a century and a half we have practiced free trade within our United States. Wisely, the drafters of our Constitution provided in Article I that one State cannot impose a trade tax on the products of another. The resulting freedom given to our domestic trade has stood as a constant source of encouragement for goods, services, and capital to move readily from one State to another. Agriculture and industry have been able to specialize. Healthy competition has existed. New methods have constantly been adopted and efficiency has become our guide word. There has grown up our great system of mass production to meet mass markets that is unique in the world.

In our international trade, however, we have been less farsighted. We are a prosperous nation, not because of but in spite of the restraints that exist as we do business with foreign countries. A multitude of impediments today interfere with the international flow of goods, services, and capital. We have contributed to some of these restrictions; some are the creation of other nations. Regardless of who or what brought them about, they lead to inefficient production and inefficient distribution, lower levels of living, and slower progress. As a powerful and leading nation, we must do a better job of helping to solve the world's problems by applying the lessons of trade and progress that we have learned here at home.

In foreign trade relationships the United States, like a number of other countries, has long had a habit of smiling on exports but frowning on imports. Our attitude reflects, of course, the many years in

our earlier history when we were in debt to foreign countries and frugally were repaying our obligations. It was highly desirable at such a time to maintain a "favorable" balance of trade—that is, to export more than we imported, with the difference paying off our creditors. With World War I, however, we ceased to be a debtor nation and since then we have become the world's principal creditor. Unfortunately, our changed status has not brought a changed outlook.

Since World War I we have exported \$120 billion more of everything than we have imported. Some of this great export surplus was the result of wartime emergencies, but a substantial part was represented by outright give-aways. Since the books of trade must balance, they should be brought into balance in a businesslike way. To the extent that we had reduced that \$120 billion trade imbalance by accepting more foreign goods and services, we as citizens and taxpayers would have been that much better off. Also, to that extent we would have alleviated the chronic



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shortage of dollar purchasing power that for many years has plagued our foreign friends.

Though our exports and imports have long been out of balance, some day they must balance. It is essential that they balance at a high level and thereby provide the greater export opportunity that our nation's output requires.

As we face the future we need not fear a liberalized foreign trade policy. The record clearly shows that our nation, including agriculture, labor, and industry, has always enjoyed greatest prosperity during periods of high exports and high imports. It shows surprisingly that our highest protected industries often are least efficient and pay lowest wages, whereas those in a more competitive position are inclined both to be more efficient and to pay employees better. A more liberal trade policy for the United States will bring shifts in our production, trade, and price patterns, but such shifts do not destroy opportunity—they merely transfer it to what we can produce the most efficiently.

In this publication we are particularly concerned with the foreign trade problems of agriculture. Agriculture has an especially important stake in foreign trade. Approximately one-fourth of our nation's exports come from our farms. Last year we exported 55 percent of our rice crop, 25 percent of our wheat crop, 21 percent of our cotton crop, 19 percent of our tobacco crop, and sizable amounts of many other commodities as well. Our income from foreign agricultural sales has been amounting to \$3 billion to \$4 billion a year. Our 5 million farmers, and the hundreds of thousands of city people who service our farm production, have a vital interest in foreign trade.

But agriculture, more than any segment of our economy, is having trouble today in retaining its export markets. While our foreign trade in industrial items is holding its own or even increasing, our agricultural exports are in a serious decline. Over the past 2 years, the drop in our wheat exports represents the production of 3.2 million acres. The drop in our cotton exports represents the output of 2.3 million acres. The drop in our lard exports represents the lard from a million hogs.

Farm prices in the United States are now 12 percent lower than a year ago. On the other hand, the

cost of things that farmers must buy remains practically as high as ever. Our agriculture is caught in a price-cost squeeze, and our declining farm exports are a significant part of the reason.

The shrinking of foreign agricultural markets comes back to our farms in several ways. It means surpluses, lower prices, storage problems, acreage reductions, and marketing quotas. It means taking land out of one crop and forcing it into another—not necessarily because it is the wise and efficient thing to do but only because conditions dictate it. And even such shifting does not necessarily ease the situation but may only transfer the competition from one crop to another.

Transitions in our agriculture must be expected. They are part of progress. But we do not want to be forced into them precipitately. We want to make them advisedly and insofar as possible, gradually. Our greatest assurance against regimentation of American agriculture lies in maintaining a healthy flow of trade.

Our agricultural export problems did not arise overnight. They cannot be solved overnight. But we can set our sights immediately on what needs to be done.

As an essential first step, our government is making progress in establishing a high-level bipartisan commission to investigate our foreign trade problems. In the months ahead its studies will encompass the entire field of foreign trade influences—reciprocal trade agreements, import-export regulations, currency convertibility, technical assistance and economic development, customs simplification, domestic price policies, and similar vital factors. We can have faith that these studies will point the way to new, realistic foreign economic and trade policies which, in turn, can lead to expanded trade in all products between all free nations.

This will be to the direct advantage of agriculture, for the greater our nation's trade in all goods and services, the larger will be the portion of the American farmer.

In the interests of our own economy and as part of the world community, this is clearly the time for us to apply broadly those lessons of trade and progress learned here at home, where free commerce between States has made prosperity blossom.

U. S. Agricultural Exports Shrink

by FRED J. ROSSITER



Our agricultural exports during the 1952-53 year were 30 percent below the preceding year and about 20 percent below the 5-year average of 1947-48 through 1951-52. This sharp decline in the value of our agricultural exports has been a major factor in reducing the economic status of American agriculture during the past 12 months.

Our farm production has been steadily expanded in the postwar period to meet emergency demands of the deficit countries of Europe and Asia. During the past season, agricultural production reached a record level of 45 percent above that of 1935-39 (table 1). Domestic consumption was also at a high level, but exports declined. The reduced exports have caused agricultural prices to fall and larger stocks of our principal farm products to accumulate (table 2).

The value of our agricultural exports in fiscal year 1952-53 amounted to about \$2.8 billion in contrast with the all-time record of more than \$4 billion in the preceding year and with an average of \$3.5 billion in the previous 5 years. Exports in 1952-53 were at a postwar low.

Factors contributing to the sharp decline in our farm exports during the past year were (1) improved agricultural production outside the United States; (2) reductions in inventories in importing countries in response to the eased world supply situation; (3) reduced United States foreign economic aid; (4) continued, though less stringent, dollar shortage abroad; and (5) low world prices for several commodities compared with United States prices.

Chief among these factors was the availability of larger supplies of agricultural commodities both in importing countries and in other exporting countries. Since the end of World War II foreign countries have been progressively restoring their agricultural production. More and more acres have been placed under cultivation. In 1952, yields were high as a result of favorable weather in many areas.

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Record or near record world production was attained for commodities such as cotton, wheat, rice,

TABLE 1.—*Index numbers of quantity of United States agricultural production and exports, 1946-52*

Base and year	Agricultural production			Agricultural exports ³
	Crops ¹	Livestock and livestock products ²	Total	
1935-39-----	100	100	100	100
1946-----	134	138	136	172
1947-----	134	135	135	155
1948-----	151	128	137	188
1949-----	144	134	138	167
1950-----	134	136	135	160
1951-----	139	141	140	191
1952-----	144	145	145	⁴ 143

Source: Bureau of Agricultural Economics and Foreign Agricultural Service.

¹ Crop year.

² Year beginning January 1.

³ Year beginning July 1.

⁴ Based on 11 months ending May 1953.

TABLE 2.—*Decline in exports and increase in stocks of principal United States agricultural exports during 1952-53*

Commodity	Unit	Decline in exports from 1951-52 to 1952-53	Increase in stocks from July 1, 1952, to July 1, 1953
		<i>Million units</i>	<i>Million units</i>
Cotton-----	Bale---	3.0	2.7
Wheat-----	Bushel--	158	303
Flue-cured tobacco-----	Pound--	¹ 93	¹ 121
Fats and oils-----	---do---	400	515

Source: Bureau of Agricultural Economics and Foreign Agricultural Service.

¹ Farm sales weight.

corn, oats, barley, and fats and oils. Part of the increase occurred in other exporting countries and resulted in their attempt to increase their share of world markets.

When the war broke out in Korea, many countries, recalling the difficulties they had encountered after the outbreak of World War II in obtaining supplies from abroad, began to import, beyond current needs, large quantities of agricultural raw materials and foodstuffs in anticipation of shortages. Raw-material inventories and food reserves were quickly built up. However, when the fear of a general conflict became more remote and, at the same time, the world agricultural supply situation improved, some foreign countries were willing to let their inventories of agricultural commodities decline.

The large amounts of United States foreign economic aid that were extended after World War II had to very large extent accomplished their purpose by 1952. At the peak of the Economic Cooperation Administration Program, in 1948-49, foreign economic aid funds (ECA and Army Civilian Supply) paid for about two-thirds of our farm exports; in 1952 these funds accounted for about one-seventh. Only a small part of the military aid funds that became available after the Korean invasion was used directly to finance agricultural exports.

Despite a considerable improvement in the dollar situation abroad since the peak of the postwar balance-of-payments difficulties in 1947, some shortage still exists. It has caused important purchasers of our farm products to continue to restrict imports from the United States. When supplies in soft-currency¹ countries became more ample, many countries shifted purchases of agricultural supplies to the soft-currency area.

The decline in our farm exports during the past year has affected all our major export commodities but most dramatically cotton and linters, which declined in quantity by 50 percent, from 6.1 million to 3.1 million bales. Exports of wheat and wheat flour fell from 475 million to 317 million bushels (by 33 percent). Exports of lard dropped from 754 million to 475 million pounds (by 37 percent). Exports of tobacco leaf declined from 514 million to 432 million pounds (by 16 percent). The decline in exports of soybean oil from 380 million to 130

million pounds (by 66 percent) was in part offset by the increase in exports of soybeans from 16 million to 30 million bushels (by 88 percent). Exports of soybean oil and soybeans in terms of oil in 1952-53 were above the average for the five preceding years. Exports were smaller also for apples, grain sorghums, cheese and other dairy products, dried eggs, prunes, oilcake and meal, cottonseed oil, linseed oil, dry edible beans, and white potatoes and some other vegetables.

The farm export picture during the past year was not all one of smaller sales abroad, for some commodities were exported in larger volume. They included principally corn, barley, tallow, citrus fruits, and grapes. Exports of these commodities last year were larger than they had averaged during the five preceding years. Tallow exports were larger in quantity but, because of very much lower prices in the past season, smaller in value.

Agricultural commodities accounted for about 20 percent of all commodities shipped abroad from the United States in 1952-53. In the preceding year they had accounted for 26 percent. While the importance of agricultural products in our total exports has been declining steadily over the years, the agricultural share in the total last year was smaller than in any other year since World War II.

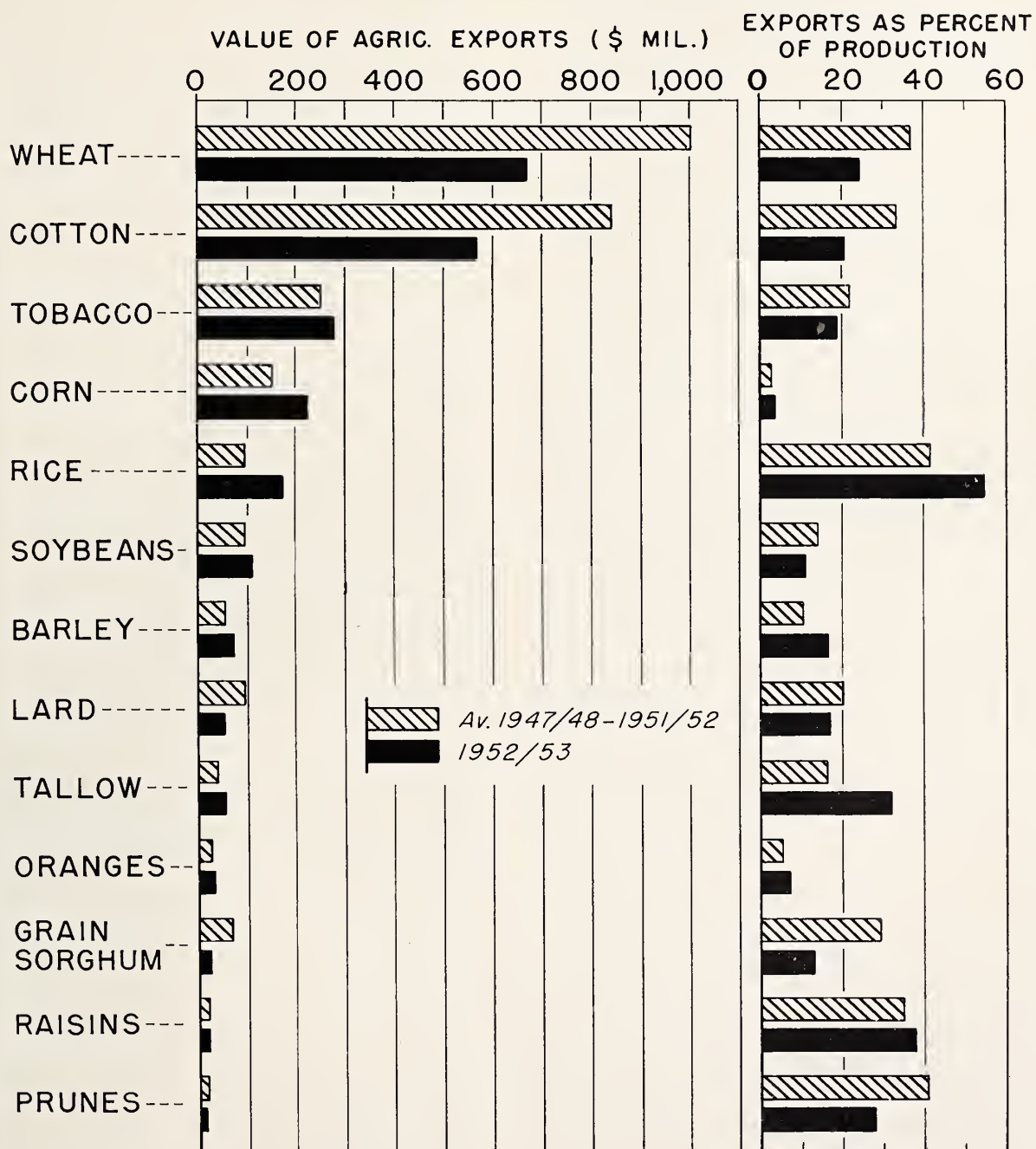
Although our exports of farm products were sharply reduced last year, exports of nonagricultural products were between 5 and 10 percent larger than in the preceding year, reflecting chiefly the larger shipments of military goods sent abroad in 1952-53 under the Mutual Security Program. Exports of military goods increased by almost \$2 billion over 1951-52.

Our most important market for our agricultural products is still Western Europe, which last year accounted for about 40 percent of our agricultural exports. This area has become less important than it was in the preceding year, when it accounted for about 50 percent of exports, and in the years before World War II, when it accounted for 60 percent. This decline of our Western European market is part of a long-term trend, for before World War I that market took 80 percent of our agricultural exports. Our leading customers in Western Europe are Western Germany, the United Kingdom, Italy, the Netherlands, Belgium, France, Austria, and Switzerland. Although the United Kingdom is traditionally our most important single market, its postwar position has fluctuated because of import controls.

¹ This term, together with others perhaps not familiar to the reader, is defined in the Glossary on the inside front cover.

U.S. AGRICULTURAL EXPORTS

AVERAGE 1947/48-1951/52 AND 1952/53



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In Asia, including Oceania, our markets have fluctuated widely, accounting for 30 percent of our exports in 1952, 25 percent in the preceding year, and 15 percent prewar. Japan and India are now the main markets for our agricultural exports there. Last year agricultural exports to Japan, principally grains and cotton, placed it at the top of the list of all our agricultural customers abroad. The increase in the importance of India reflects the economic development of that country since the war. In 1951-52, however, exports rose above normal owing to shipments of grain under emergency loan legislation to assist that country in alleviating its food shortage.

The Western Hemisphere market now accounts for about 25 percent of our farm exports compared with 20 percent in 1951 and with 15 percent before the war. Principal Western Hemisphere markets for our farm products are Canada, Cuba, and Mexico. Our exports to Brazil last year were above normal, when it turned to us for wheat following the short crop in Argentina, its usual supplier. Our agricultural exports to Canada have become increasingly important since the prewar period as the result of the economic development of that country, particularly in the past few years. Canada illustrates the importance of economic development abroad in stimulating demand for United States farm products.

As the world's largest exporter of agricultural commodities, the United States has good reason to be concerned about its share in world markets for farm products. Both during and following World War II, we geared our agricultural output to meet extraordinarily high levels of demand from abroad. We shared substantially in rebuilding war-devastated countries because we realized that there can be no real security for us unless there is also security elsewhere. As other countries regain a sounder economic footing in the world, we face a challenging opportunity to maintain the economic status of United States agriculture at a high level. We must find ways of selling more of our farm products in world markets.

Our success in this direction will depend very largely on (1) the extent to which foreign countries are able to earn dollars to pay for our agricultural commodities and (2) the extent to which the economic level of peoples in other countries improves and increases the effective demand for our farm products.

If the United States wishes to export its agricul-

tural and industrial commodities, it must seriously consider what it can import from others. From a longer point of view, our technical assistance program promises to improve the living standards and economic level in foreign countries and thereby make them better able to buy our agricultural products.

Cotton

Sharply reduced cotton exports in the 1952-53 season amounted to about 3.1 million bales—about half the total of the previous season and 35 percent below the average for 1947-48 through 1951-52. For the first time since World War II, United States cotton growers have felt the effects of competition abroad. Foreign production had fully recovered from its wartime decline, and the crop abroad in 1952-53 was almost as large as the prewar peak. Stocks in foreign producing countries were relatively large at the start of the 1952-53 season. Except in Brazil, crops and stocks alike were pressed for sale, generally at prices under those at which American cotton of comparable qualities could be offered.

Price was beyond doubt the dominant factor in the season's outcome as substantial dollar resources available abroad for cotton imports were in some instances not used and in others applied to the purchase of competitive cottons. Whenever price competition is involved, it is the comparative cost to the foreign spinner of American and other cottons in terms of his own currency that determines his choice, and during the past year it was his ability to buy usable foreign cotton at lower prices that accounted mainly for the decline of United States exports.

Wheat

During the 1952-53 marketing season exports of wheat and wheat flour totaled about 317 million bushels. Although nearly 160 million bushels below 1951-52 exports of 475 million bushels, the total was well above the long-time average of about 210 million bushels. Smaller exports last year reflected mainly the record world wheat harvest in 1952, 840 million bushels larger than the 1951 crop of 6,480 million bushels. Significantly, much of the increase was in exporting countries other than the United States—an all-time record crop in Canada, the largest crop in Argentina since 1940-41, and an above-average Australian crop. Minor exporters such as Turkey, France, and French North Africa also produced more wheat.

This increase in supplies, together with a better supply position in many important deficit areas, such as Europe and India, resulted in a decline in total world trade in wheat during the past season. Increased exports from other areas during the year

only partly offset the reduction in the United States exports.

Rice

Despite the fact that the United States rice crop accounts for only 1 percent of world rice production, the United States was the third largest exporter of rice during the past year. Of a total 17.4 million bags (100 pounds each) of milled rice exported in 1952-53, two-thirds were shipped to Asia—primarily to Japan, Korea, Ceylon, and Indonesia. The unusually large sales of United States rice to Asia during the past year were possible because of (1) limited supplies available from Southeast Asia, (2) rising prices in that area, and (3) availability of dollar exchange in some importing countries as a result of our defense program.

Corn

The United States has been the principal source of corn for export in most years since World War II. Exports of corn in 1952-53 totaled about 120 million bushels, about 50 percent more than in the preceding year. The principal market is Western Europe, where feeding requirements are large.

Tobacco

United States tobacco exports in 1952-53 declined about 15 percent from the preceding year and were smallest since 1947-48 when the balance-of-payments problems of the Western European countries forced the sharp reduction in imports of tobacco from the United States. Exports declined from 514 million pounds in 1951-52 to about 432 million pounds last year. The major reason was the continuing scarcity of dollars abroad, which has made it necessary for importing countries to limit imports of tobacco from the United States and to encourage the production and use of tobacco from soft-currency sources. The United Kingdom, the largest consumer of United States tobacco, has progressively reduced the proportion of United States tobacco in its products. Smaller takings by the United Kingdom were in part offset by increased sales to other countries, mainly Western Germany.

Fats and Oils

United States exports of fats, oils, and oilseeds in 1952-53 were substantially below the preceding year. In terms of oil equivalent, exports declined from 2.5 billion to 2.1 billion pounds. Exports of about 475 million pounds of lard were one-third smaller than in 1951-52, owing largely to reduced exports to the United Kingdom. The combined export volume of soybeans and soybean oil, in terms of oil equivalent, was about one-fourth smaller. Although the quantity of soybeans exported was nearly twice as great as in the preceding year—due chiefly to much larger purchases by Japan—the

quantity of soybean oil was only one-third of the large exports in 1951-52, when Spain and Italy, in the wake of the poor 1950 olive crop, bought large quantities of our soybean oil.

A bright spot in the picture last year was the one-third increase in the exports of tallow to about 800 million pounds; largest quantities went to Japan and Italy. Much lower United States prices for inedible tallow and greases were the principal inducement for foreign countries to purchase more United States tallow and thereby set a new export record in 1952-53.

Fruits

The most significant changes in the fruit export situation in 1952-53 as compared with 1951-52 were a sharp drop in fresh apple exports and substantial increases in exports of oranges, fresh grapes, and raisins. Because of short domestic crops, the export payment program was not in operation for fresh apples and pears in 1952-53, but there were programs for citrus fruits, citrus products, and raisins.

Apple prices averaged relatively high all season and, as a consequence, exports of 56 million pounds were only about one-third of the preceding year. Pear exports held up well. Grape exports, particularly to Canada, exceeded those of 1951-52.

The upward trend in fresh orange exports continued in 1952-53, but the shipments of grapefruits and lemons were retarded somewhat. Orange exports rose from 654 million pounds in 1951-52 to about 720 million pounds in 1952-53. There was a brisk movement of fresh oranges and of some citrus juices to Europe.

Despite a relatively short crop, prune exports have held up well, and raisin exports have been going out at a rapid rate. Prune exports of 75 million pounds in 1952-53 were 20 percent below the preceding year. Raisin exports of 220 million pounds were nearly 40 percent above the previous year. A special sale of 100 million pounds of surplus United States raisins to the United Kingdom was a significant factor in the increased raisin movement abroad.

Dairy Products

Our exports of dairy products declined in the past year as much larger supplies from other exporting countries became available at prices below United States levels. The gap between our prices and world prices has widened in recent months, and it has become increasingly difficult for our exporters to meet the competition of lower cost suppliers from abroad. Exports of dried milk declined from 119 million to about 100 million pounds; those of evaporated milk, from 138 million to 110 million pounds. In a number of importing countries, unusually favorable production has increased the domestic milk supply and reduced the requirements for imports of dairy products.

The Dollar Problem And Agricultural Exports

by OSCAR ZAGLITS



The dollar shortage abroad has been an important limiting factor on United States exports of agricultural products. It is a fact that whatever foreign countries buy of the products of United States farms and factories and that whatever they obtain of services from this country must be paid for in United States dollars.

Foreign countries and their citizens hold some United States dollars and, to some extent, use them in making payments among themselves. In the final analysis, however, all of their United States dollars had to be obtained initially through the sale of goods and services or gold to the United States or through financial transactions (such as United States capital investments made abroad and loans and grants extended abroad). Conversely, United States dollars in foreign hands can ultimately be spent only for United States goods and services or in payment to the United States for other purposes (e.g., debt payments). In other words, all United States dollars accruing to foreign countries must originate in the United States; then they may travel the world over, but finally they return home as payments to us.

In paying for United States goods and services, foreign countries use dollars mainly from the following sources:

1. Sales to the United States of goods and services produced abroad.
2. Private donations abroad.
3. United States private capital investments abroad.
4. United States Government aid.
5. Gold sales to the United States and drawings on foreign-held dollar balances (table 1).

Sales of goods and services to the United States are the most important source of United States dollars for foreign countries. Their value in 1952 was \$15.8 billion, which was five times the 1934-38 average, when foreign countries sent us goods and services amounting in value to \$3.3 billion annually. However, this amount was then enough to pay for

about 90 percent of the goods and services exported by the United States, which averaged only \$3.7 billion annually in 1934-38.

The war and its repercussions curtailed the ability of most foreign countries to sell here. At the same time, it increased their need for our products. Both in 1944, the peak year of World War II, and in 1947, the peak year of the postwar balance-of-payments difficulties, goods and services sold by foreign countries to us paid for only 42 percent of what they took from us.

As foreign countries recovered from the effects of the war, their sales of goods and services to the United States increased. At the same time, high levels of economic activity in the United States and a lowering of the effective United States tariff rates facilitated the increase. By 1950, the sales of foreign countries here paid for nearly 90 percent of what they took from us.

In the first quarter of 1953, these sales paid for 98 percent of the civilian goods and services bought from us. Since the outbreak of the Korean war, however, the rearmament program entered into by the Atlantic community has resulted in the shipment of increasing quantities of United States military goods abroad and in a widening of the gap between exports and imports. When military goods and services are included, the sales of foreign countries here paid for only 75 percent of the goods and services they bought from us.

Private donations from this country have become a fairly steady source of United States dollars to foreign countries. These donations include remittances in cash or kind made by individuals in the United States to relatives, friends or simply needy people abroad, as well as grants and gifts by United States charitable agencies, research and educational institutions, etc. In the past 5 years, these donations have averaged \$500 million annually.

Private capital investment abroad has in recent

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years been an important source of United States dollars for foreign countries. To the extent that new United States investment abroad exceeds the flow of foreign capital into the United States, it makes available to foreign countries additional dollars that they can use to expand their purchases of United States products. Private investment abroad has, since World War II, consisted mainly of corporate investments for affiliated enterprises. It could become a more important source of our dollars abroad were it not for conditions in many foreign countries that discourage private capital from assuming uncertain risks. Net investment of private United States capital abroad (both long term and short term) in the past 5 years has averaged about \$1 billion annually.

United States Government aid has been large in most of the World War II and postwar years. Its purpose was to enable friendly countries to buy needed goods and services in excess of what they could pay for with dollars obtained from other sources. Net foreign aid, both military and economic, during the war totaled \$41 billion, including net lend-lease aid of \$38.9 billion. The wartime peak was \$14 billion in 1944.

The principal forms of postwar economic aid extended by the United States Government have been the following:

The United States Government loan of 1946 to the United Kingdom (\$3.75 billion).

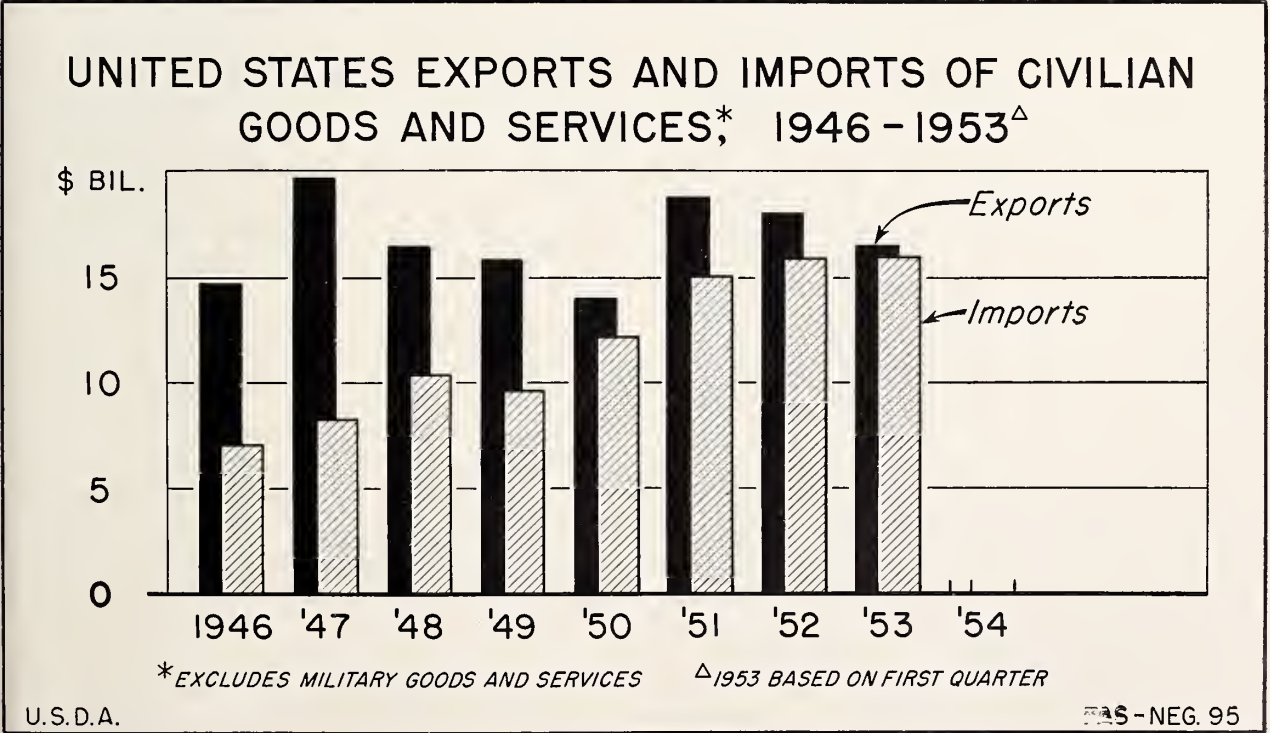
Export-Import Bank loans (\$3.5 billion).

Subscriptions (made in 1946 and 1947) to the International Monetary Fund and the International Bank for Reconstruction and Development (\$3.4 billion).

Loans and grants under special programs such as the Army Civilian Supply Program (\$5.4 billion), UNRRA, post-UNRRA, and interim-aid programs (\$3.4 billion), and Economic Cooperation and Mutual Security Programs (\$14.2 billion).

Some repayments were received, and net postwar economic aid in all forms totaled close to \$40 billion. It reached a peak of \$8.8 billion in 1947, declined to \$4.6 billion in 1948, rose to \$5.8 billion in 1949, and thereafter declined steadily. In 1952 it was \$2.5 billion, and, in the first quarter of 1953, the annual rate had dropped to \$2 billion.

Foreign aid funds were used to pay for about two-thirds of United States agricultural exports in 1949, at the peak of the Economic Cooperation Administration Program. In 1952 they accounted for less than 15 percent. The smaller foreign-aid financing of our farm exports reflected in part the improvement in the gold-and-dollar position abroad and in part the expansion of our military aid following the outbreak of the Korean war.



At present, economic aid accounts for less than half of all United States Government aid. The other half represents military aid that assists friendly countries in the rearmament programs that they undertook as part of the defense effort of the free world following the outbreak of the Korean war. United States military grant aid rose from \$0.6 billion in 1950 to \$2.6 billion in 1952. In the first quarter of 1953, the annual rate of our military aid had risen to \$4.8 billion.

United States military aid is making important contributions to the easing of the dollar shortage abroad. Direct shipments of military goods overseas enable friendly countries to carry out a rearmament program and, at the same time, to use most of their earned dollars for civilian goods. In fact, offshore procurement for defense and military expenditures abroad have become an important source of United States dollars for friendly countries. Examples are the United States expenditures in Japan, the construction of overseas bases, and the purchase of military equipment abroad. For security reasons, no details are published regarding offshore procurement for defense. However, the United States Department of Commerce (*Survey of Current Business*, June 1953, page 6), in speaking of the rise in foreign reserves in the 12 months ending in March 1953, noted that, during this period, offshore purchases "added over \$2 billion to foreign dollar resources."

In addition, imports for the United States defense program and for strategic stockpiling have become an important source of United States dollars for foreign countries. Foreign countries constitute the only important sources of essential products such as crude rubber, tin, manganese, tungsten, and industrial diamonds. The United States imported \$1.1 billion of these five products in 1952.

Foreign-held gold and dollar reserves were drawn upon heavily during the first few critical postwar years to pay for purchases of needed United States goods and services that could not be paid for from other sources.

Some countries, especially those in Latin America, were able to use up additions to their gold and dollar reserves that they had accumulated during the war. Other countries, however, especially our allies on the European Continent, found it necessary to reduce further the insufficient monetary reserves that they had left at the end of the war.

As a result of those drawings, gold and dollar assets held abroad during the first 3 years following

the war declined by \$7.2 billion. The depletion of these assets was most serious in the case of those countries of Western and Southern Europe that subsequently formed the group of countries known as the Organization for European Economic Cooperation (OEEC)¹ aided under our Economic Cooperation Administration Program. Their gold and dollar assets declined by \$2.6 billion in 1946 and 1947. The United Kingdom, France, Belgium, and Sweden suffered particularly severe gold and dollar losses. The Latin American countries and Canada, which had greatly increased their gold and dollar assets during the war, used up \$2 billion in these 2 years.

The depletion of their gold and dollar assets made it necessary for foreign countries to rebuild them as their exchange position improved. They added \$3.8 billion to these reserves between 1949 and 1951, and another \$1.2 billion in 1952. In the first quarter of 1953, foreign gold reserves and dollar balances rose another \$0.8 billion, bringing the aggregate to a postwar high of \$21.2 billion. This figure compares with the postwar low of \$14.7 billion in September 1948.

The present gold and dollar reserves are, however, rather unevenly distributed among our trading partners. Canada and some other countries in the dollar area hold several times the amount of reserves they had before the war. The United Kingdom's reserves are only about 60 percent of prewar, while at the same time that country's foreign debts—including those owed the sterling area—have greatly increased. The reserves of France have dropped to less than one-third their prewar level. On the other hand, the level of reserves held by Belgium, the Netherlands, and Western Germany have shown substantial recovery, although the purchasing power of their reserves is considerably below prewar.

The improvement in the gold-and-dollar position of foreign countries has come at a time when an increase in world supplies has resulted in buyers' markets for a number of important United States commodities such as cotton, wheat, and fats and oils. With their competitive position impaired by the decline of world prices in relation to our support prices, United States producers of these commodities, during the past year, have lost large portions of the

¹ This term, together with others perhaps not familiar to the reader, is defined in the Glossary on the inside front cover.

TABLE 1.—*Postwar imports of United States goods and services by foreign countries and sources of dollars used in payment, 1946-52*

Year	Imports of goods and services from the U. S. ¹	Sources of dollars used in payment					Ratio: imports from U. S. financed by sales to U. S.
		Sales to U. S. of goods and services	U. S. private donations and capital investment abroad	Net U. S. economic aid: loans and grants ²	Gold sales to U. S. and use of foreign dollar balances	Total	
	Billion dollars	Billion dollars	Billion dollars	Billion dollars	Billion dollars	Billion dollars	
1946----	14.7	7.0	1.1	5.2	1.6	14.9	48
1947----	19.7	8.3	1.7	8.8	4.0	22.8	42
1948----	16.6	10.3	1.5	4.6	.5	16.9	62
1949----	15.8	9.6	1.1	5.8	.1	16.6	61
1950----	13.8	12.1	1.8	3.7	-----	17.6	88
1951----	18.8	15.0	1.5	3.2	-----	19.7	80
1952----	18.1	15.8	1.5	2.5	-----	19.8	87
1946-52	117.5	78.1	10.2	33.8	6.2	128.3	-----

Source: U. S. Department of Commerce, Office of Business Economics, and Board of Governors of the Federal Reserve System.

¹ United States exports less United States military aid.

² Includes United States contributions to international organizations totaling \$6 billion, of which \$1.8 billion was made in 1946 and \$3.6 billion in 1947.

export markets that they were able to maintain during the period of substantial United States foreign economic aid. The fact that the United States dollar is still a scarce currency for many countries has accentuated this decline in our export markets. Foreign countries that have been important outlets for our farm products have responded to the eased market situation of agricultural commodities by shifting purchases to soft-currency countries in order to have more dollars available for other United States goods. At the same time, many of these countries have continued to sharply restrict imports of United States agricultural commodities that they classify as nonessential, such as horticultural products.

Under these circumstances, a two-fold attack is needed to re-expand the foreign markets of our farm products.

On the one hand, we must increase the opportunity of friendly countries to earn the dollars that they need to pay for the goods and services they want to buy from us. This involves such measures as:

1. Facilitating increased foreign dollar earnings through expanded offshore procurement for defense and through customs simplification and expansive trade policies;

2. Promotion of economic development and private United States investments abroad, assuring investors protection of their capital and transfer of the income earned; and

3. Export-Import Bank financing of agricultural exports on a sound basis.

On the other hand, we must redouble our efforts to secure early relaxation and ultimate elimination of restrictive and discriminatory foreign controls against United States products. In addition, our domestic price-support policies need to be modified so as to make the prices of the products of United States agriculture competitive. This problem is a difficult one, but its solution is facilitated by the fact that the efficiency of United States agriculture is unsurpassed by that of any other country.



United States Farm Products in Foreign Trade has recently been published by Foreign Agricultural Service, as part of a special study appraising demand for United States agricultural products. It is the first comprehensive volume of statistics to be published in many years on United States trade in agricultural products, and contains numerous tables relating to production, exports, and imports of specific commodities, as well as to the volume, destination, and origin of United States agricultural exports and imports. It summarizes trends in United States agricultural trade and marketing.

Economic background data are given in tables on total trade and on the balance of payments of the United States, over-all aid made available to foreign governments under various war and post-war programs, and exports financed under such programs.

The study on which this publication is based was conducted under the Agricultural Marketing Act by the Foreign Agricultural Service and the Bureau of Agricultural Economics with the co-operation of the Production and Marketing Administration. It consists of 269 printed pages and is No. 112 in the Department's Statistical Bulletin series.

Agricultural Policies Abroad

by LOIS BACON

American agriculture has an interest in the agricultural policies of foreign countries, since these policies are among the factors that exert a strong influence in the demand for American farm products abroad.

Agricultural policy in most countries aims perhaps more directly than ever before at increasing production. The urge toward food self-sufficiency in agricultural importing countries, greatly strengthened by the deep, prolonged depression of the 1930's and the subsequent wartime food shortages, has been reinforced by postwar balance-of-payments difficulties, more serious than in the 1930's. Balance-of-payments difficulties have also increased the need to expand agriculture both in advanced agricultural exporting countries and in underdeveloped countries. Moreover, there has been growing awareness of the importance of agricultural as well as industrial expansion in the struggle to raise standards of living in underdeveloped countries and to maintain high levels of economic activity in advanced agricultural exporting countries.

The distinction between agricultural importing and exporting countries is a rough one. Many countries cannot easily be fitted into either category because they both import and export large quantities of agricultural products. In many of them the objectives of food self-sufficiency, industrial development, higher living standards, and preservation of traditional agricultural production patterns or avoidance of radical adjustments all lie behind the policy of agricultural expansion.

The emphasis placed on agricultural expansion since the war is reflected in numerous government plans adopted for agriculture. Such plans apply to both independent and dependent territories, and are both national and regional in scope. Some form part of over-all economic development plans. They usually call not simply for increased production but for increased production through higher productivity. All depend, for their fulfillment, on a marked degree of government intervention in agriculture.

Intervention in domestic markets and control of foreign trade are by far the commonest and most powerful means employed by governments to promote and direct agriculture. Foreign trade controls

were once confined mostly to import tariffs and export taxes and subsidies. Since the 1930's, however, they have nearly everywhere come to include quantitative restriction on trade in the form of exchange regulations, quotas, embargoes, licenses, and bilateral trade and clearing agreements. Governments are thus able to determine the volume and pattern of agricultural imports and, to a much lesser but still an important extent, the volume and pattern of agricultural exports. Control over trade in some commodities, notably wheat, has frequently been pushed further by the establishment of state trading monopolies. In the Iron Curtain countries, the state has a monopoly of all foreign trade.

Widespread intervention in domestic markets also dates back to the depression of the 1930's, when strenuous efforts were being made to check the headlong fall in farm prices. Fixed prices at the farm, wholesale, and retail levels, parity price or parity income schemes, purchase guarantees or compulsory deliveries, mixing regulations, marketing regulations, acreage and production regulations, and direct subsidies, in one combination or another, restrict the free play of competition within the confines of sheltered national markets. The degree of regulation tends to be lowest in underdeveloped areas, aside from those behind the Iron Curtain, but regulation seldom is absent.

Market and price controls have been accompanied in most countries by programs to increase agricultural productivity. It is in the stress laid on productivity that postwar agricultural policies differ most from those of the depression years. Agricultural productivity programs include projects of three main types. One centers in improving farming techniques, with emphasis on increased fertilizer consumption, mechanization in some areas, better crop rotations, and better grassland management; this entails the development of extension services and sometimes subsidies on farm requisites such as fertilizer and motor fuel. A second type has to do with land reclamation, irrigation, and the

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provision of roads and other public facilities. The third is concerned with agrarian reforms, including land redistribution, consolidation of fragmented farms, more and cheaper agricultural credit, and improved marketing facilities and methods.

Projects of all three types are under way in advanced, as well as underdeveloped, areas. Their scope in most countries has thus far been limited largely by a shortage of funds and technicians. This shortage has been alleviated to some extent through multilateral and bilateral technical assistance or investment programs, and through similar programs of the European powers for their dependent overseas territories.

High world prices for agricultural products in the postwar period have provided a powerful incentive to increase production. Their effect has been enhanced by the combination of market and price controls and productivity programs adopted in many food importing countries, particularly those in northwestern Europe. This highly industrialized and comparatively wealthy area, heavily dependent upon imports for its food and feed supplies, is able to afford and to administer effectively programs to ensure good returns to farmers. In the United Kingdom, where the percentage increase in farm output over prewar (about 50 percent) is greater than in most other countries, farm income and expenditure are reviewed annually by the government as a basis for fixing prices of the principal farm products at levels that, all things considered, are expected to stimulate producers to meet production goals. Sweden, Norway, the Netherlands, and Switzerland likewise have programs designed to maintain a desired relation between total farm income and total farm costs; unlike the United Kingdom, however, they are or tend to be on an export basis for dairy and certain other products and therefore, in manipulating prices, must either take export possibilities into account (the Netherlands, Switzerland), or try to avoid export surpluses (Sweden, Norway).

Price programs elsewhere in Western Europe are less comprehensive and balanced, yet also appear to have been effective, in varying degree, in supporting net farm income. To achieve this result, most West European countries have held prices paid to producers of import products at levels usually exceeding those in the world market.

Some of the advanced agricultural exporting countries, like the United States, also have compre-

hensive and effectively administered farm price-support programs. In Canada, price-support goals have not been spelled out. But the government is authorized by law to support prices of any farm product, and does so when, in its judgment, market conditions warrant, at the level considered desirable. It has a price-pooling arrangement for grain, by far Canada's most important agricultural export; purchases and sales for export are monopolized by the government-controlled Wheat Board.

New Zealand operates a price-stabilization program, under which a fund, built up by a levy on exports in periods of high prices, is used to make payments to producers when prices fall below the cost of production. Sales of most food exports to the United Kingdom under government-to-government long-term contracts that provide for annual reviews to adjust prices in line with production costs have restricted profits to less than they would have been during a period of strong demand for food.

Australia ships the largest part of its food exports to the United Kingdom under similar arrangements. It has also followed a policy of fixed domestic prices for foodstuffs, adjusted to cover computed costs of production. Returns from domestic sales and exports are pooled, producers receiving an equalized price. On the other hand, producers of wool, Australia's major export, market their output freely, at uncontrolled prices.

In Argentina, agriculture has suffered severely from a policy of rapid industrialization carried to extremes. Under its first 5-year economic program, 1946-51, Argentina secured funds for industrial development by monopolizing the purchase of the main products for export, nearly all agricultural in origin. A state trading agency bought the products from farmers at low fixed prices and sold them abroad at world prices or better. Returns to farmers were further restricted by the establishment of ceiling prices for most foods in cities. The consequent decline in agricultural production and exports, accentuated by drought in 1951 and 1952, led to a sharp upward revision of farm prices for the 1952-53 season. According to present indications, agriculture will receive more consideration under the second 5-year program.

Eastern European countries have also greatly favored industrial over agricultural expansion. Following the long-time practice of the Soviet Union, they regularly announce plans and pro-

grams for agricultural development, and, unlike the non-Communist world in peacetime, they rely on physical controls to achieve them. But compulsory deliveries to the state at low fixed prices; official allocations of farm requisites that discriminate in favor of collectives first and small farmers second, with other farmers last of all; and the drive for collectivization by other means—now relaxed, now intensified—have not proved conducive to any marked expansion of production, which is still below prewar levels throughout Eastern Europe, except in the Soviet Union. Yugoslavia has gradually reverted to a somewhat more liberal system since its break with Moscow in 1949. There has also been evidence of some modifications of agricultural policy in the Eastern European satellite countries since the winter of 1952-53, but whether this is merely a pause in the struggle for socialization of the economy or whether it begins a period of temporary retreat such as occurred in the Soviet Union in the 1920's remains to be seen.

In other underdeveloped countries, development programs frequently give first place to agriculture. Yet, with certain exceptions, funds for all development programs must come in large part from agriculture, for it is the chief source of government revenue. A common means of raising money for development programs, as well as for ordinary expenditures, has been export taxes or other devices to secure a part of the proceeds from agricultural exports. Levies on exports have also served as a price stabilization measure. Though sometimes heavy, they seldom appear to have unduly depressed producers' returns.

Some countries have also taken measures to hold down prices of domestically consumed foods in order to brake increases in living costs, thus tending to favor nonfood over food crops. For example, the Thai Government fixes maximum prices at which millers may sell rice for domestic consumption as well as for export. India has followed a policy of domestic procurement of food grain for rationing in urban and other deficit areas at low prices, and frequent subsidization of imported food grain. Egypt has also subsidized imported wheat; it is now attempting to promote domestic wheat production by prescribing the maximum acreage to be sown to cotton and the minimum acreage to be sown to wheat and by raising domestic wheat prices nearer to world market levels.

On the other hand, many underdeveloped coun-

tries have used import restrictions mainly to enhance the effect of high world prices on the production of foodstuffs normally imported. Some have also endeavored to promote and protect export products in various ways. In Cuba, for example, where nearly all phases of the sugar industry are controlled, the government regulates sugar production in line with export possibilities. In Brazil, production and marketing of such important export crops as coffee, cacao, sugar, tobacco, and rice are subject to the control of special defense institutes, and price support has been given to cotton and sisal. Pakistan has had price support programs for cotton and jute.

Partly stimulated, partly retarded by government policies, the increase in world agricultural production since the war has recently come close to matching the increase in the world's population. But Western Europe, with per capita production only slightly above prewar, is almost as heavily dependent on imported food as in prewar times. In the Far East, which has changed from a major food-surplus-producing to a major food-deficit region, per capita food production is still at least 10 percent below prewar, and food import requirements, in consequence, remain large. Most other regions are on an export basis for food, but surpluses available from the nondollar area are still below prewar levels, whereas dollar area surpluses remain high above prewar.

Increased dependence on supplies of dollar agricultural products has accentuated the postwar dollar problem of many countries. This problem has been resolved thus far, principally by dollar aid grants and loans. By the same token, the prospect of decreased dollar aid has heightened the feeling abroad that agricultural production must be increased as a means both of saving and of earning more dollars. It is therefore to be expected that agricultural policy at least in nondollar areas will continue to emphasize agricultural expansion. Productivity programs will undoubtedly be pushed. At the same time, there is evidence of a tendency to relax market and price controls somewhat in order to give natural market forces freer play within national, regional, or currency area boundaries. Relaxation of controls as between the nondollar and dollar areas, however, does not appear to be part of present policies.

Trade Barriers and Trade Agreements

By ROBERT B. SCHWENGER

Trade barriers seriously limit the economic potential and the political coherence of the free world. The Trade Agreements Program of the United States has resulted in an important reduction of tariff duties as a barrier to trade among the countries of the free world; but, in the face of dollar difficulties of war-ravaged countries, it has been less successful in relaxing quantitative government restrictions on trade. Quantitative restrictions limit trade more than tariffs do. In most friendly countries, United States farm products can enter only after the government of the country decides to issue a license for each shipment. To stimulate trade in spite of these quantitative restrictions, foreign governments have resorted to various special trading arrangements that discriminate against United States exports. There is some opinion favoring resort by the United States to such new methods of trading in the present situation, but, as a net exporting country, we have little to gain and much to lose and the free world as a whole would be damaged. The President's Commission to study United States trade policy will be faced with this problem.

More than half of the trade of nations of the free world is now subject to quantitative restriction. That is to say, it is controlled by arbitrary government decision as to quantities that may be imported. An import transaction may not be completed until government approval is obtained.

The only exceptions of importance are the major part of the imports into the United States and other dollar countries. Portions of the trade within certain regional groups of nondollar countries have been "liberalized" under preferential arrangements (OEEC and the sterling area,¹ principally) but severe discriminatory controls are maintained on the imports of those same commodities from the United States and other dollar countries.

Total free-world imports amounted to about \$80 billion last year. Of this, about \$20 billion was imported into the dollar area and, of the \$20 billion, all but about \$1 billion was free of quantitative restriction. Of the \$60 billion imported into the soft-currency areas, practically all was restricted as to competition from dollar countries.

Quantitative restrictions not only decrease trade directly. They deter effort toward trade by introducing a costly element of uncertainty. They are usually subject to change by arbitrary administrative decision. Traders and producers cannot count on the opportunity to compete for the controlled market. They may be shut out of it after their goods are produced, sometimes even after the goods are packed and en route.

¹ These terms, together with others perhaps not familiar to the reader, are defined in the Glossary on the inside front cover.

Under the circumstances, tariffs (and other import charges) have become much less important in the restricting countries. For an item under quantitative restriction, the tariff is not usually of limiting importance in determining the quantity imported. Even for trade moving without quantitative restriction, as in the case of United States imports, tariff charges today are frequently of less importance than are the delays and uncertainties involved in the administration of these charges by customs officers and other officials. Tariffs are usually less arbitrary than quantitative restrictions; businessmen can adjust to the fixed additional cost involved in a tariff but never know what may happen to a quantitative restriction. Moreover, tariffs have been substantially reduced under the Trade Agreements Program and many of them have become less burdensome because of inflation. The average level of United States import duties, for example, have been lowered some 50 percent under the Trade Agreements Program and inflation has halved the incidence of the remaining rates.² Most major trading countries have reduced tariffs substantially.

The Interest of United States Agriculture

The great bulk of United States agricultural exports is subject to quantitative restrictions by foreign governments. In 1952, about 80 percent of those exports went to soft-currency countries, where governments let them enter primarily because comparable supplies were not available from soft-currency sources or were available only at prohibitive prices. Our dollar aid, and to a minor extent our export subsidies, helped move these products. Our foreign aid paid for about \$0.5 billion out of a total of \$3.4 billion. Our export payments, most of them for wheat, amounted to an additional \$0.125 billion.

American agriculture is an export industry and can, in general, compete successfully with foreign producers in world markets for the products it pro-

² The actual incidence of United States duties on total dutiable imports fell from 54 percent in 1933, the last year before the Trade Agreements Program went into operation, to 13 percent in 1952, a reduction of 75 percent. About half of this decline was due to the rise in prices over this period which lowered the ad valorem incidence of specific rates of duty. The reduction in the duties themselves, measured by applying each set of rates to the volume of trade in the year 1949, was from 26 to 13 percent.

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duces in excess of United States needs. On the average in the past 5 years, we have exported \$3.5 billion worth of the products of American farms; we imported only \$1.8 billion worth of things such as sugar, wool, and hides and skins needed to supplement United States farm production in order to meet United States needs; thus, our farm exports were almost twice as large as these imports. There apparently is some sentiment in the United States for restricting agricultural imports without regard to the effect on the export market, but adjustment to such a change might be a disaster to United States agriculture, especially at a time of surpluses. This sentiment has not usually prevailed, therefore, except where imports have been unduly increased as a result of United States price supports above world levels. About 3 percent of our supplementary (competitive) agricultural imports were under quantitative restriction in 1952, exclusive of the 22 percent controlled under the Sugar Act. Hence, the elimination of quantitative import restrictions here and abroad, except in special cases that might be agreed upon among friendly nations, would appear to be in the overall interest of American agriculture.

Trade Agreements

The problem is how to obtain *effective* agreement among free nations to remove the shackles of direct government trade control. Under the United States Trade Agreements Program a major effort in this direction has been made. Not only have tariffs

been reduced, but, by agreement of the principal trading nations, quantitative restrictions have in general been deemed undesirable. In GATT, 33 countries which imported \$56 billion worth of goods in 1952 covenanted that, as far as their existing laws permitted, they would not maintain such restrictions. Undoubtedly quantitative government restrictions are fewer and are less burdensome than they would have been in the absence of GATT, but they are still maintained on \$38 billion worth of that trade, or about two-thirds of it.

Some of these restrictions were required by legislation in existence prior to the signing of GATT in 1947. Some are maintained under exceptions associated with agricultural programs, with damage to domestic industry, or with other specific escapes.³ Under these exceptions, the United States maintains quotas on imports of wheat and wheat flour, cotton, butter, dried milk products, cheddar and certain other types of cheese, peanuts, and shelled filberts; it has imposed fees on imports of shelled almonds, flaxseed, linseed oil, and peanut oil; it

³ For example, if a government is restricting the domestic production or marketing of an agricultural product, it may similarly restrict imports. Agricultural imports may also be restricted to help in the removal of temporary surpluses.

Import controls may be imposed in connection with shortages or with the orderly liquidation of temporary surpluses of stocks owned or controlled by the government. They may also be used as temporary aids to economic development or reconstruction. In special instances where injury to a domestic industry due to increased imports occurs, obligations under the Agreement may be suspended insofar as necessary to remedy the injury.

has increased the import duties on fur felt hat bodies, hatters' fur, and dried figs. Certain countries have restricted imports of some items for economic development reasons.

But the great majority of current quantitative restrictions among GATT countries are maintained, on a temporary basis, under a more general exception for countries in balance-of-payments difficulties, that is, for countries whose monetary reserves are unduly low. Such countries agree to try to prevent the restrictions from impairing regular channels of trade or unnecessarily damaging the commercial or economic interests of other GATT countries. Moreover they are bound to try to get rid of the underlying imbalance in their international position and to relax the restrictions progressively as their reserves improve.

In this connection, it may be noted that GATT countries have also agreed on the need for minimizing the restrictive effects of the administration of tariffs. GATT includes provisions relating to marks of origin; to valuation of goods for customs purposes; to levying of fees and charges for customs services; to issuing of consular invoices and certificates; and other matters—all designed to prevent restriction through arbitrary administration of tariffs.

Under the GATT the countries maintaining quantitative restrictions for balance-of-payments reasons are required to consult annually with the Contracting Parties to examine the situation requiring continuation of the restrictions and to review their administration. When GATT was first negotiated there was widespread expectation that international payments for most countries would eventually be nearly enough in balance so that some of the automatic market mechanisms might resume the task of adjusting them. It was thought that competitive conditions could then be restored and discrimination limited to that provided by preferential tariffs.

The consultations thus far do not promise early correction of the balance-of-payments difficulties. They indicate, moreover, that the principal techniques thus far employed may very well operate to perpetuate and accentuate the difficulties, rather than to remove them.⁴ The typical technique is to control imports and, at the same time, to try to stimulate exports through various drives, appeals, increases in productivity, and shifts in the use of resources. The control of imports results in unduly high prices in the sectors of the economy competing with imports, so that resources are attracted to uneconomic use in these sectors. Governments are under pressure to plan the import pattern so as to raise prices for certain producers. Moreover, the control of imports can put off part of the conse-

quences of domestic inflation and thus postpone needed control measures.

In all this, producers for export from the countries in question find their costs held up so that they cannot compete as well in foreign markets. Only by heroic measures in the domestic field can a government using general quantitative import restrictions get its economy in such shape that something approaching a payments balance will obtain on the removal of the restrictions and the consequent restoration of international commercial competition. It is encouraging, under the circumstances, that a good deal of progress has been made in some countries over the past year and a half.

A number of countries have brought their domestic price levels closer into line with those abroad and the reserves of the balance-of-payments countries have been mounting. A few countries have at times permitted unrestricted import of individual commodities. The United Kingdom recently freed imports of grains on what appears to be a permanent basis and is taking a lead towards a freer trade and payments system. But no restricting country has yet been willing to permit generally unrestricted importation from the dollar area.⁵

Meanwhile, there is a drag on the development of economic potential. In countries where the state controls the entire economy, quantitative import restrictions are doubtless a necessary mechanism. In countries where the force of free competition is still relied upon as an important element in determining the pattern of production and trade, however, quantitative import restrictions are an influence modifying that force. They tend to reinforce monopolistic elements in the economy and to prevent or retard the development of economic potential quite apart from the costs and unavoidable errors involved in their administration.

Other Trading Arrangements

In this situation, feeling unable to free their trade from quantitative restriction and yet anxious to maintain some trade and particularly to promote exports, countries have turned to various techniques designed to give some relief. Private traders resort to barter deals. One government technique is a type of agreement providing for increased bilateral trading. These are sometimes called "trade agreements" but are quite different from those of the United States Trade Agreements Program.

Under our trade agreements, tariffs are lowered by each of two countries on products of special interest to the other, but all cooperating countries get the benefit of the lower tariffs. This is in conformity with the most-favored-nation provisions of our treaties of friendship and commerce with most countries. It lets trade grow along natural lines.

⁴ The official reports of the consultations, concurred in by the restricting countries, recognize the weaknesses of quantitative restrictions.

⁵ With the exception of Canada, which invoked the balance-of-payments exception for a relatively short period.

Under these other "trade agreements," however, trade is channeled, tariffs are unimportant, and the development of natural multilateral trade and of economic potential is limited. Two countries undertake to permit importation of specified commodities and services from one another in a given period, usually a year. The tendency is to bring the trade between the two countries more nearly into balance. The country that normally imports the greater amount uses the agreement to force its exports on the other country even though at high cost. This type of agreement has been particularly important in the arrangements made by industrial countries of Europe among themselves and with their raw-material suppliers. It often results in all or part of an importing country's market for a commodity being reserved for the partner, so that its market for, say, oranges, may be reserved for Spain; raisins, for Greece; or cotton, for Brazil. The United States and other outsiders are not permitted to compete at any price.

Another technique is that of freeing from quantitative restrictions some portion of the trade within a group of countries. This has been done both among the countries of the sterling area and among those of the OEEC. The amount of the trade freed has varied, and the "liberalization" programs have run into difficulties inherent in the trade-balance problems involved.⁶ Some increase in trade results but competition with the dollar area is prevented and economic potential is limited.

The foregoing devices, like the quantitative restrictions with which they are coupled, reserve for governments the decision as to which items of trade shall be expanded and to what extent. Hence they, too, subject administrative officials to pressures from domestic groups that can profit from cutting off foreign competition.

As the years pass without competition to give an objective measure of how various technological changes may have affected the comparative advantage of producing one or another commodity, there is less and less economic basis for decision as to which commodities it is best to import. These trade-control devices tend to throttle initiative. They leave little area for the expansion of trade by entrepreneurs taking constructive and imaginative steps in the face of technological changes or new demands. They are not directed toward adjustment of the difficulties underlying the payments imbalance that made the quantitative restrictions necessary.

There are a number of monetary techniques, including multiple-exchange rates, dollar-retention

⁶ Balancing the trade of an entire area with dollar countries by controls, while letting trade within the area flow freely, leads to distortion of the normal sharing among the participants of dollar claims and dollar obligations. Among sovereign countries, this creates serious problems. Additional, more serious, balancing difficulties are caused by different degrees of control over domestic inflation.

quotas or "bonus dollars," switch deals, and others which may or may not be subject to the same criticism according to how they are used. The more the government retains administrative discretion as to the exchange rates granted to individual commodities or transactions, the more the schemes share the weaknesses of the control devices.

There are some techniques which avoid arbitrary government trade decisions and stimulate adjustment. One of them might be currency devaluation coupled with the decontrol of trade. Another might be the imposition of a flat ad valorem tax on all imports and a corresponding flat rate subsidy on all exports—together with the decontrol of trade. Unfortunately, these techniques are more difficult and less popular than are the control techniques. Moreover mechanisms for detailed trade control, once established, are given up only with reluctance.⁷ There is no knowing surely what will happen to trade or capital movements or other international payment items when control is dropped. To the extent that import control has been used to avoid facing the need for control of inflation, its termination imposes problems in the domestic sphere. A government must be strong to take such present chances for the future welfare of the country.

The Overall Problem

The weakening effect of the trade-control devices on an economy is magnified for the free world taken as a whole by the fact that each government tends to administer its own controls in the light of its own domestic concerns. Considerations of the interest of other free countries in the trade involved tend to be secondary, except as they may be the subject of formal undertakings in a trade agreement or commodity agreement. The consultations under GATT might develop to the point where they would bring a degree of coordination into the administration, by the various friendly countries, of the trade controls of each which are the concern of all. Some slight progress in this direction has been made as concerns individual controls that have been the subject of specific complaint. On the other hand, the progressive removal of the restrictions may prove easier and more desirable than the development of any system for their co-ordination.

In this matter, the free world looks naturally to the United States, with its tremendous trade and its enormous internal free-trade area, for leadership and help. The decision as to the direction which that leadership will take in the future and as to the techniques for exercising it must be one of the major concerns of the Commission on Foreign Economic Policy requested by the President.

⁷ This is true not only of overall restrictions for balance-of-payments reasons but also of specific quotas, such as those on cotton and wheat entering the United States—which were kept on during all the years when prices were far above parity.

Helping Farmers Sell Abroad

by JOSEPH A. BECKER



Broadly speaking, Foreign Agricultural Service helps the American farmer find his place in the foreign market in two ways. It apprises him of the situation in world markets through its world crop reporting service and it opens the way for sales through its trade negotiations and other procedures.

When the United States was a young country, it could easily sell its agricultural products abroad; it exchanged them for great quantities of manufactured consumer goods and industrial producer goods needed to develop the resources of the country. Perhaps trade was not so simple then as it seems now in retrospect, but certainly it was less complicated than it is today.

Today, the United States produces most of the goods it once obtained in exchange for its agricultural products. Other countries still need United States farm products and wish to buy them, but trade today depends not so much on need as on availability of exchange and on the degree of government control.

World Crop Reporting Service

Through FAS's world crop reporting service, farmers and exporters of agricultural commodities are armed with information on supplies of farm products abroad and demand for them. Dovetailed with the Department's reports on United States agriculture, the information gives the farmer a global picture that helps him determine what chances he has to sell his produce in the foreign market.

Specifically, the reporting service supplies information on production and consumption of agricultural commodities abroad, stocks on hand in other supplying countries, prices being paid for agricultural commodities in representative primary markets, and general market conditions in the principal overseas markets. The reporting service goes a step further in assisting the United States producer; it helps him plan his operations by reporting on the outlook for production in the principal exporting countries and on the probable supplies that will be available for export.

The principal sources of all this information are the agricultural attachés and officers attached to embassies, legations, and consulates abroad.

It is the responsibility of these men to supply periodic information on production and marketing developments. It is their job to keep in touch with crop estimating officials of foreign governments and with importers and others in the trade. They subject all the information they gather to statistical and analytical scrutiny and, insofar as possible, confirm it by personal observation. They are the eyes and the ears of FAS in far-off places. They are depended on to supply timely, reliable information.

To supplement the activities of the agricultural attachés, the Foreign Agricultural Service has at various times during the three decades of its existence sent abroad commodity specialists and marketing specialists—men with wide knowledge of certain agricultural commodities. Before the war the commodity specialists made intensive studies in their respective fields on trends in area, yield, and production. Ordinarily, they were concerned, as they are now, with an agricultural region rather than with an individual country, as the attachés are. For example, Louis G. Michael reported on the agricultural production and potential of the Danube Basin for many years and P. K. Norris on cotton production and prospects throughout the world. From selected points or areas abroad the marketing specialist reported on markets for commodities that were exported regularly from the United States. In the early 30's, for instance, J. B. Hutson supplied information on the English tobacco market, and, for a decade or more before China was closed to Americans, Owen Dawson reported on the market for American wheat and cotton in China.

During the war the activities of the commodity specialists were limited, but since 1947 FAS has again employed commodity specialists to report on competition from foreign production, and marketing specialists to report on foreign demand for agricultural commodities. These have been short-time studies. The specialists have visited areas of

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production or of consumption and reported on developments as they observed them. They have transmitted information obtained from government officials, importers, and wholesalers. Dr. Ide P. Trotter of Texas A&M College made a survey of cotton requirements and of demand for raw cotton in Asia in 1947, for instance, and George Day reported on the market for dried milk and other dairy products in Latin America in 1950.

By these various approaches, information has been collected, interpreted, and supplied to the interested public for its further interpretation and application to individual use.

Opening the Way for Sale Abroad

The destruction of assets and earning power of peoples in World War II brought about dislocation in international trade, so that in these postwar years it has not always been possible for goods to move from countries of surplus to countries of deficit. Exchange difficulties, outlined elsewhere in this issue, have led to many instances of active government intervention in trade. Both in Washington and in foreign capitals, United States commodity men, regional specialists, agricultural attachés, and trade analysts have been charged with responsibility for finding ways and means of eliminating restrictive actions or alleviating their effects. Most of their efforts have taken the form of negotiations with representatives of other governments, and in numerous cases favorable action has facilitated the movement of United States agricultural products abroad.

Sometimes these negotiations take place in the international forum that operates under the General Agreement on Tariffs and Trade.¹ Here, actions that restrict trade are discussed, complaints concerning discriminatory action are registered, and modifications or removal of the restrictions and discriminations are negotiated. A staff member of FAS represents agriculture in these discussions and negotiations, which, of course, cover all commodities (including nonagricultural commodities).

Sometimes the negotiations are direct discussions of the problems with individual foreign countries in an effort to accomplish rapid solution. Either the discussion is initiated in Washington, where



Agricultural Attaché Robert Tetro, Italy, one of our world crop reporters. These reporters gather information from numerous sources—information that helps American farm products find a market abroad.

staff members of FAS lodge protests with representatives of the foreign government at embassy or legation or it is initiated in the foreign country, where the agricultural attaché often makes the protest to the foreign office or to the ministry responsible for foreign trade matters. Such approaches are not uniformly successful but the knowledge that the United States Government is alert and ready to protest restrictive or discriminatory action tends in itself to hold down the number of such actions.

As a footnote, it might be added that foreign governments, as a matter of courtesy, often announce their intentions in advance either publicly or confidentially to representatives of the United States Government. When this is done, Washington representatives of FAS or the agricultural attachés abroad have an opportunity to discuss and negotiate modifications of the proposed action.

For example, in 1950 the Ministry of Food of the United Kingdom announced that it would purchase 1,534,000 bushels of Canadian apples. Since the United States has traditionally supplied apples to the United Kingdom and the British had bound themselves in GATT not to discriminate against our trade in favor of Canada, protest was lodged with the British authorities both in Washington

¹This term, together with others perhaps not familiar to the reader, is defined in the Glossary on the inside front cover.

and in London. As a result of the protest, the Ministry purchased all of the United States apples that could be shipped during the remainder of the season—about 450,000 bushels, and the following season British apple purchases from North America were divided between Canada and the United States on a basis that we agreed to with Canada in advance of the purchase.

Negotiation by direct discussion is a common means of settling the agricultural trade problems of Canada and the United States. Canada for many years has been our most important market for agricultural products and our most important source of these products. Sometimes the quantity of a product moving into Canada or into the United States exceeds the normal, greatly disturbing the market in the importing country. Its producers protest that imports are ruining their market. Representatives of FAS are called upon to develop the facts and to carry on discussions with representatives of the Canadian Government, with a view to limiting the movement. An outstanding example took place in 1948 when the price of potatoes in the United States, held up by the support program, made the United States market so attractive to producers in the Maritime Provinces of Canada that Canadian potatoes moved into the United States in great quantities. As a result of negotiations at that time, the Canadian Government agreed to limit the movement of potatoes into the country through the operation of an export permit system.

Less formal than these negotiations, is another activity of FAS in opening the way to foreign markets. Through its marketing specialists, who, incidentally, are more than crop and market reporters, it constantly keeps American farm products in the limelight, reminding foreign officials and tradesmen of the quality and availability of the products. Since 1950, marketing specialists, headquartered in Paris, have devoted full time to promoting the sale of our cotton, tobacco, and fruit in Western Europe. They have worked with agricultural attachés, importers and wholesalers, and representatives of foreign governments throughout the area.

The cotton specialist, Francis Whitaker, has repeatedly called the attention of millers to the superior quality of American cotton and has transmitted and received suggestions as to means by which imports could be financed. He has facilitated sales by breaking stalemates that have developed through

a lack of understanding. He has called attention to instances of below-standard shipments, which tend to injure the reputation of American cotton, and has placed United States cotton exporters in direct contact with foreign importers.

The tobacco specialist, George W. Van Dyne, has worked with representatives of tobacco monopolies, with government officials, and with importers and manufacturers of cigarettes and other tobacco products, pointing out ways in which American tobacco can be best utilized to meet consumers' preferences.

The fruit specialist, Fred A. Motz, has maintained contacts with government officials and fruit importers and wholesalers, praising the quality of American apples, pears, and soft fruits, offering advice to traders who have had to resort to triangular deals in order to bring fruit into countries whose dollar exchange situation has militated against direct importation.

In addition to these resident marketing specialists, others have been sent from Washington on extended journeys to promote the sale of fresh citrus and citrus products, fats and oils, and dry beans.

Marketing specialists have also helped solve a problem arising from the dislocation of foreign trade—the problem of readapting United States commodities to the needs or preferences of other countries. For example, J. B. Cheatham, tobacco marketing specialist, worked with German tobacco manufacturers shortly after the war to develop blends of domestic Turkish and American tobacco for cigarettes that would be popular in Germany. Such research and demonstration led to the establishment of permanent markets, or at least to permanent preferences, for United States tobacco. In 1949 Judson Thompson, another marketing specialist, showed samples of American beans to importers in Europe, to acquaint them with the product available in the United States. When he returned home, he brought samples of beans used in the various countries he had visited and showed them to United States exporters, so they could see what kinds of beans consumers in these countries preferred. His work helped increase the sale of beans for export from the Commodity Credit Corporation stocks.

This encouragement of the sale of United States agricultural commodities through surveys of utilization or by means of demonstration of United States products is still in its infancy. Over the long run it offers great promise as a means of developing permanent markets for quality products.

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